Erlanger-Elsmere Independent School District

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

Erlanger-Elsmere Independent School District ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

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Erlanger-Elsmere Independent School District

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

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Erlanger-Elsmere Independent School District

District Officials

June 30, 2014

Superintendent

Kathy Burkhardt

School Board Members

Rick Ernst Robin Cooper David Bird Tom Luken Jeff Miller



Charles A. Van Gorder, CPA John P. Walker, CPA, MBA Lori A. Owen, CPA John R. Chamberlin, CPA, MBA Members of AICPA & KyCPA Licensed in Kentucky & Ohio

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education Erlanger-Elsmere Independent School District Erlanger, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Erlanger-Elsmere Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

-Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

-Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, including *Appendix I- Audit Extension Request and Appendix II-Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Erlanger-Elsmere School District as of June 30, 2014 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison information on pages 4–8 and page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

-Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Erlanger-Elsmere Independent School District's basic financial statements. The combining financial statements, school activity fund schedules and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining financial statements, school activity fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures are fairly stated, in all material respects, in relation to the financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of Erlanger-Elsmere Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Erlanger-Elsmere Independent School District's internal control over financial reporting and compliance.

- Warken a Co. de

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky October 15, 2014

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

Management's Discussion and Analysis

As management of the Erlanger-Elsmere Independent School District, we offer readers of the Erlanger-Elsmere Independent School District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

Financial Highlights

- The beginning cash balance for the District was \$4,015 thousand and the ending balance is \$4,388 thousand.
- A concerted effort, focused on purchasing in the areas of supplies, food, and travel, resulted in several economies due to changed management strategies and current economic conditions.
- The utility tax generated \$889 thousand in revenue for fiscal year 2014, versus the \$854 thousand in the fiscal year 2013.
- Fiscal year 2014 capital asset additions totaled \$225 thousand. Equipment purchases of \$39 thousand were for copiers and \$23 thousand for a van. \$163 thousand was expended for Phase III on a construction project that was completed in fiscal year 2014 at Lloyd Memorial High School.
- The District's on-behalf payments from the state were \$4,255 thousand in revenues and expenditures in fiscal year 2014, compared to \$4,073 thousand in fiscal year 2013.
- The District salaries decreased approximately \$550 thousand in 2014. Salaries decreased due to elimination of several positions and no pay rate increase in fiscal year 2014.
- The General Fund had \$19,081 thousand in revenue, which primarily consisted of state program monies (SEEK), and local property, utility and motor vehicle taxes. Excluding interfund transfers, there was \$18,688 thousand in General Fund expenditures for the fiscal year.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities
 plan that is established with community input and in keeping with Kentucky Department of
 Education's (KDE) stringent compliance regulations. The District repaid long term bond
 debt of \$1,104 thousand and incurred no new borrowings. Therefore, net long-term bond
 debt decreased \$1,119 thousand during fiscal year 2014.
- State law requires Districts to update a priority list of construction and renovation needs, called a local facilities plan. The document guides the allocation of School Facilities Construction Commission dollars. The current District Facilities Plan was last updated in fiscal year 2012.
- At June 30, 2014, the District has three small construction projects in process that are estimated to cost \$696 thousand. The projects are as follows: Miles Elementary HVAC Piping (\$374 thousand), Arnett Elementary Roof (\$132 thousand), and Tichenor Middle School Vocational Program (\$190 thousand). There was no additional debt related to these projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Erlanger-Elsmere Independent School District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Erlanger-Elsmere Independent School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 18-33 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8,226 thousand at the close of the 2014 fiscal year.

The largest portion of the Districts' net position reflects its investment in capital assets; less any related debt used to acquire those assets that are still outstanding. The District's uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment is its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position

Assets	2014	2013
Current & other assets	\$ 4,435,663	\$ 4,283,581
Noncurrent assets	21,413,968	22,035,493
Total Assets	25,849,631	26,319,074
Liabilities		
Current liabilities	1,820,023	1,948,975
	, ,	, ,
Long-term liabilities	15,804,004	16,834,766
Total Liabilities	17,624,027_	18,783,741
Net Position Invested in capital assets, net of related debt Restricted Unassigned fund balance	4,783,681 287,545 3,154,378	4,286,091 370,805 2,878,437
Total Net Position	\$ 8,225,604	\$ 7,535,333

The following are significant current year transactions that have had an impact on the Statement of Net Position.

The District acquired capital asset additions of \$215 thousand and incurred no new debt during fiscal year 2014.

Comments on Budget Comparisons

- The District's total general fund revenue for the fiscal year ended June 30, 2014, net of capital lease proceeds, were \$19,081 thousand.
- General fund budget compared to actual revenue varied slightly from line item to line item excluding on-behalf payments, with the ending balance being about \$635 thousand over budget (favorable variance) or approximately 1.6%. The balance of revenues favorable variance is due to \$3,425 thousand in state revenues that result from on-behalf payments that were not budgeted for fiscal year 2014.
- The total cost of all programs and services was \$18,688 thousand.

• General fund budget expenditures to actual varied significantly unfavorable in instruction \$1,609 thousand. This resulted primarily from on-behalf payment expenditures of \$2,754 that was not budgeted as additional expenditures. Plant operations closed with a favorable variance of \$901 thousand, due to incurring less repair, maintenance, and utility costs than the amounts that were budgeted. Additionally, contingency expenses closed with a favorable variance of \$455 thousand as it was not needed. Overall, expenditures had a \$3,310 thousand favorable variance excluding the effect of not budgeting the state on-behalf expenditures.

The following table presents a summary of revenue and expenditures of the District's governmental funds for the fiscal year ended June 30, 2014.

	June 30, 2014	June 30, 2013
Revenues and Other Sources		
Local revenue sources	\$ 8,618,599	\$ 8,207,125
State revenue sources	12,651,742	12,256,265
Federal revenue sources	1,735,196	1,443,628
Other sources	250	50
Investments	16,318	19,864
Bond sale proceeds		3,333,155
Total Revenues	\$23,022,105	\$ 25,260,087
_		
Expenses		
Instruction	\$ 13,402,153	\$ 14,065,073
Student support services	1,034,124	932,103
Instructional support	982,138	833,432
District administration	1,603,387	1,504,033
School administration	1,322,328	1,433,566
Business support	303,693	293,167
Plant operations	1,729,495	1,659,322
Student transportation	252,768	427,439
Community support	286,891	259,736
Facility acquisition	162,942	2,916,552
Other (debt service)	1,676,402	1,533,586
Total Expenses	\$22,756,321	\$25,858,009

General Fund Revenue

The majority of the revenues were derived from local taxes and state funding, about 37% and 54% respectively.

General Fund Budget Allocation

Site Based Decision Making Councils expended approximately 58% for regular instruction of the general fund budget. The remaining budget was expended primarily for support services.

School Support

School Support Services accounts for approximately 14% of the school level expenditures; this includes School Administration and Student Instructional support.

Central Support

Central support services expenditures account for approximately 28% of the General Fund budget, and consists of transportation, maintenance & operations, central office administrative functions and debt service.

Budgetary Implications

In Kentucky, the public school fiscal year is July 1 – June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$455 thousand in contingency (2.4%). The beginning cash balance for beginning the fiscal year is \$4,015 thousand.

Questions regarding this report should be directed to the Superintendent (859) 727-2009 or to, Director of Financial Services (859) 727-2009 or by mail at 500 Graves Avenue, Erlanger, KY 41018.

Statement of Net Postion

June 30, 2014

	Primary Government			
	Governmental	Business-type	_	
Assets	Activities	Activities	Total	
Current Assets:	_			
Cash and cash equivalents	\$ 3,993,087	\$ 393,107	\$ 4,386,194	
Inventory	-	92,003	92,003	
Accounts receivable				
Taxes - current	206,972	-	206,972	
Taxes - delinquent	62,442	-	62,442	
Accounts receivable - other	1,350	332	1,682	
Intergovernmental - state	2,098	21,824	23,922	
Intergovernmental - indirect federal	169,714		169,714	
Total Current Assets	4,435,663	507,266	4,942,929	
Noncurrent Assets				
Capital assets	37,623,047	1,094,454	38,717,501	
Less: accumlated depreciation	16,209,079	730,690	16,939,769	
Total Noncurrent Assets	21,413,968	363,764	21,777,732	
Total Assets	25,849,631	871,030	26,720,661	
Liabilities				
Current liabilities:				
Accounts payable	99,629	2,670	102,299	
Deferred revenue	51,736	-	51,736	
Current portion of bond obligations	1,103,597	-	1,103,597	
Current portion of capital lease obligations	44,232	-	44,232	
Interest payable	520,829	-	520,829	
Total Current Liabilities	1,820,023	2,670	1,822,693	
Noncurrent Liabilities:				
Noncurrent portion of bond obligations	15,259,764	-	15,259,764	
Noncurrent portion of capital lease obligations	222,755	-	222,755	
Accrued sick leave	321,485		321,485	
Total Noncurrent Liabilities	15,804,004		15,804,004	
Total Liabilities	17,624,027	2,670	17,626,697	
Net Position				
Invested in capital assets, net of related debt Restricted for:	4,783,681	363,764	5,147,445	
Capital projects/debt service	203,289	-	203,289	
Debt service	84,256	-	84,256	
Food service	<u>-</u>	504,596	504,596	
Unresricted	3,154,378		3,154,378	
Total Net Position	\$ 8,225,604	\$ 868,360	\$ 9,093,964	

Statement of Activities

For the Year Ended June 30, 2014

			Program Revenue		•	expense) Revenue nges in Net Posit	
			Operating	Capital	Clia	nges in Net Posit	ion
Eunotiona/Bragrama		Charges for	Grants and	Grants and	Governmental	Business-Type	
Functions/Programs: Governmental Activities:	Expenses	Services	Contributions	Contributions	Activities	Activities	Total
Instruction	\$ 14,116,695	\$ -	\$ 1,426,496	\$ -	\$ (12,690,199)	\$ -	\$ (12,690,199)
Support services:	φ 14,110,093	Ψ -	Ψ 1,420,490	Ψ -	\$ (12,090,199)	Ψ -	\$ (12,090,199)
Student	1,067,021	_	161,837	_	(905,184)	_	(905,184)
Instruction staff	992,248	_	389,939	_	(602,309)	_	(602,309)
District administrative	1,655,863	_	-	_	(1,655,863)	_	(1,655,863)
School administrative	1,345,668	_	_	_	(1,345,668)	_	(1,345,668)
Business	303,693	_	_	_	(303,693)	_	(303,693)
Plant operation and maintenance	1,733,947	_	_	_	(1,733,947)	_	(1,733,947)
Student transportation	303,224	_	2,517	_	(300,707)	_	(300,707)
Facilities acquisition and construction	-	_	_,0	_	-	-	-
Community service activities	293,056	_	260,703	_	(32,353)	_	(32,353)
Interest on long-term debt	541,461	-	-	1,225,694	684,233	_	684,233
Total Governmental Activities	22,352,876		2,241,492	1,225,694	(18,885,690)		(18,885,690)
Business-Type Activities:					<u> </u>		
Food service	1,306,697	286,537	1,131,308	-	-	111,148	111,148
Total Business-Type Activities	1,306,697	286,537	1,131,308	-	-	111,148	111,148
Total Primary Government	\$ 23,659,573	\$ 286,537	\$ 3,372,800	\$ 1,225,694	(18,885,690)	111,148	(18,774,542)
			General Revenues				
			Taxes:				
			Property taxes		6,922,890	-	6,922,890
			Motor vehicle ta	axes	552,716	-	552,716
			Utility taxes		889,284	-	889,284
			Other taxes		27,948	-	27,948
			Investment ear	nings	16,318	-	16,318
			State and feder	al grants	10,923,505	-	10,923,505
			Gain on disposa	al of fixed assets	335	-	335
			Miscellaneous/	other	242,965		242,965
			Total General Rev	enues and Transfe	19,575,961		19,575,961
			Change in net pos	sition	690,271	111,148	801,419
			Net position - Beg	inning	7,535,333	757,212	8,292,545
			Net position - End	ing	\$ 8,225,604	\$ 868,360	\$ 9,093,964

Balance Sheet - Governmental Funds June 30, 2014

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Overdraft	3,813,872	\$ (109,280)	\$ 204,239	\$ 84,256	\$ 3,993,087
Accounts receivable:	000.070				-
Taxes - current	206,972	-	-	-	206,972
Taxes - delinquent	5,200	-	-	-	5,200
Accounts receivable	1,350	-	-	-	1,350
Intergovernmental - state	2,098	-	-	-	2,098
Intergovernmental - federal	8,461	161,253	· -	-	169,714
Total Assets	\$ 4,037,953	\$ 51,973	\$ 204,239	\$ 84,256	\$ 4,378,421
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 98,442	\$ 237	\$ 950	\$ -	\$ 99,629
Deferred revenue		51,736	<u> </u>		51,736
Total Liabilities	98,442	51,973	950	-	151,365
Fund Balances:					
Restricted for:					
Accured sick leave	321,485	-	-	-	321,485
Restricted for:					
Purchase obligations	353,896	5,589	-	-	359,485
Capital project funds	-	-	203,289	-	203,289
Debt service funds	-	-	-	84,256	84,256
Unassigned	3,264,130	(5,589)	-	-	3,258,541
Total Fund Balances	3,939,511	-	203,289	84,256	4,227,056
Total Liabilities and Fund Balances	\$ 4,037,953	\$ 51,973	\$ 204,239	\$ 84,256	\$ 4,378,421
Amounts reported for governmental	activities in the	statement of	net position ar	e different beca	use:
Total Fund Balance per Fund Financial			·		\$ 4,227,056
Capital asset are not reported in this fur	nd financial state	ement because	they are not cu	rrent financial	
resources, but they are reported in the	ne statement of	net position			21,413,968
Property tax to collect this year					57,242
Certain liablities(such as bonds payable are not reported in this fund financia	I statement bed				Э
presented in the statement of net po	sition.				(17,472,662)
Net position for governmental activities					\$ 8,225,604

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2014

	General	Special	Construction	Other Governmental	Total Governmental
Revenues	Fund	Revenue	Fund	Funds	Funds
From local sources					
Taxes:					
Property	\$ 6,427,957	\$ -	\$ -	\$ 473,976	\$ 6,901,933
Motor vehicle	552,716	-	-	-	552,716
Utilities	889,284	-	-	-	889,284
Other	27,948	-	-	-	27,948
Earnings on investments	16,318	-	-	-	16,318
Other local revenues	242,965	3,753	-	-	246,718
Intergovernmental - state	7,408,088	593,382	-	469,958	8,471,428
Intergovernmental - state on behalf	3,424,578	-	-	755,736	4,180,314
Intergovernmental - indirect federal	-	1,111,316	-	-	1,111,316
Intergovernmental - direct federal	90,839	533,041			623,880
Total Revenues	19,080,693	2,241,492		1,699,670	23,021,855
Expenditures					
Instruction	11,944,076	1,458,077	-	-	13,402,153
Support services:					
Student support	872,287	161,837	-	-	1,034,124
Instruction staff	592,199	389,939	-	-	982,138
District administrative	1,603,387	-	-	-	1,603,387
School administrative	1,322,328	-	-	-	1,322,328
Business	303,693	-	-	-	303,693
Plant operation and maintenance	1,729,495	-	-	-	1,729,495
Student transportation	250,251	2,517	-	-	252,768
Facilities acquisition and construction	-	-	162,942	-	162,942
Community service activities	26,188	260,703	-	-	286,891
Other(debt service)	44,137			1,632,265	1,676,402
Total Expenditures	18,688,041	2,273,073	162,942	1,632,265	22,756,321
Excess (deficiency) of revenues					
over (under) expenditures	392,652	(31,581)	(162,942)	67,405	265,534
Other Financing Sources (Uses)					
Sale of equipment	250	-	-	-	250
Operating transfers in	4,574	31,581	-	876,529	912,684
Operating transfers (out)	(48,432)	-	-	(864,252)	(912,684)
Total Other Financing Sources (Uses	(43,608)	31,581	-	12,277	250
Net Change in Fund Balances	349,044	-	(162,942)	79,682	265,784
Fund Balances - Beginning	3,590,467		366,231	4,574	3,961,272
Fund Balances - Ending	\$ 3,939,511	\$ -	\$ 203,289	\$ 84,256	\$ 4,227,056

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 265,784
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation in the current period.	(621,610)
In the statement of activities, the gain on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balance by the cost of the assets disposal, net of related accumulated depreciation.	85
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This year's amount is \$57,242 and last year's amount was \$36,285.	20,957
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repaymentof debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. No new bonds or capitalized leases were issued in the fiscal year and principal repayments were \$1,119,054.	1,119,054
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the increase in non-current portion of accrued sick leave of (\$109,886), and a decrease in accrued interest of (\$15,887).	(93,999)
Change in net position of governmental activities	\$ 690,271

Statement of Net Position - Proprietary Fund

June 30, 2014

Assets	
Current Assets:	
Cash	\$ 393,107
Inventory	92,003
Accounts receivable: other	332
Intergovernmental - indirect federal	21,824
Total Current Assets	507,266
Noncurrent Assets:	
Capital assets	1,094,454
Less: accumulated depreciation	730,690
Total Noncurrent Assets	363,764
Total Assets	871,030
Liabilities	
Current Liabilities:	
Accounts payable	2,670
Total Current Liabilities	2,670
Net Position	
Invested in capital assets, net of related debt	363,764
Restricted - Food Service	504,596
Total Net Position	\$ 868,360

Statement of Revenues, Expenditures, and Changes in Net Position Proprietary Fund

For the Year Ended June 30, 2014

Operating Revenues	
Lunchroom sales	\$ 283,167
Other operating revenues	3,370
Total Operating Revenues	286,537
Operating Expenses	
Salaries and wages	470,225
Employee benefits	181,032
Materials and supplies	521,675
Depreciation	71,898
Other operating expenses	 61,867
Total Operating Expenses	 1,306,697
Operating Income (Loss)	 (1,020,160)
Nonoperating Revenues	
Federal grants	966,571
Donated commodities	77,114
Intergovernmental - state	12,435
Intergovernmental - state on behalf	 75,188
Total nonoperating revenues	1,131,308
Net Income	111,148
Total Net Position - Beginning	 757,212
Total Net Position - Ending	\$ 868,360

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

Cash Flows From Operating Activities Cash received from:		
Lunchroom sales	\$	283,167
Government grants		1,070,820
Other activities		3,061
Cash paid to/for:		
Employees		(576,069)
Supplies		(476,065)
Other activities		(62,247)
Net Cash Provided By Operating Activities		242,667
Cash Flows From Capital And Related Financing Activities		
Purchases of capital assets		-
Net Cash Provided By Capital And Related Financing Activities		-
Cash Flows From Investing Activities Interest income		_
Net Cash Provided By Investing Activities		
Net Increase in Cash		242,667
Cash - Beginning of Period		150,440
Cash - Beginning of Feriod		150,440
Cash - End of Period	\$	393,107
Reconciliation of Operating Income to Net Cash Provided by Operating Activi	ties	
Operating Income	\$	111,148
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		71,898
Change in assets and liabilities:		
Receivables		91,505
Inventory		(31,504)
Accounts payable		(380)
Net Cash Provided by Operating Activities	\$	242,667
Schedule of Non-Cash Transaction		
Donated commodities received from the federal government	\$	77,114
On-behalf payment		75,188
Depreciation Total Non-Cook Transactions	Ф.	71,898
Total Non-Cash Transactions	\$	224,200

Erlanger-Elsmere Independent School District Statement of Fiduciary Net Position - Fiduciary Funds June 30, 2014

	1	Agency Fund
Assets		
Cash and cash equivalents	\$	295,732
Accounts Receivable		2,342
Total Assets		298,074
Liabilities		
Accounts payable		4,167
Due to student groups		288,777
Total liabilities		292,944
Net Position of Fiduciary Funds Held in Trust	\$	5,130

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Erlanger-Elsmere Independent School District is governed by the Erlanger-Elsmere Board of Education ("Board"), a five-member group which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Erlanger-Elsmere Independent School District (District). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Erlanger-Elsmere Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

<u>Erlanger-Elsmere Independent School District Finance Corporation</u> – In 1992 the Board of Education resolved to authorize the establishment of the Erlanger-Elsmere Independent School District Finance Corporation (a non-profit,, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational of capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment is applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types:

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 39. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

Notes to the Financial Statements

June 30, 2014

- 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
- 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
- The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

(A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

(A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in

the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used of the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expensed, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreased in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are recognized in governmental funds.

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer: however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.817 per \$100 valuation for real property, \$.817 per \$100 for business personal property and \$.671 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within District's boundaries, of telephone and telegraphic

communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computer, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities <u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
General	15 years
Food Service Equipment	10-12 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is

based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classification that comprise a hierarchy that is based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in governmental fund financial statements are as follows:

Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The district did not have any non-spendable resources at June 30, 2014.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of governments, or (b) imposed by law through constitutional provisions or enabling legislature. The district has classified sick leave, KSFCC escrow, capital projects, and debt service resources as being restricted.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the board. These amounts cannot be used for any other purpose unless the board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

This classification also includes contractual obligations to the extent that existing resources have been specifically committed for the use in satisfying those contractual requirements. The district did not have any committed resources as of June 30, 2014.

Assigned: This classification includes the amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District's manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District had assigned resources as of June 30, 2014.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use *Restricted* fund balance first, followed by *Committed* resources, and then *Assigned* resources, as appropriate opportunities arise, but reserves the right to selectively spend *Unassigned* resources first to defer the use of these other classified funds.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating Revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from fund responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

At year-end the carrying amount of the District's total cash and cash equivalents was \$4,386,194. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less. Cash and cash equivalents at June 30, 2014 consisted of the following:

	Bank Balance	Book Balance
General checking School activity	\$ 4,834,781 299,668 \$ 5,134,449	\$ 4,386,194 295,732 \$ 4,681,926
Breakdown per financial s	statements:	
00.0	ernmental funds roprietary funds Agency funds	\$ 3,993,087 393,107 295,732 \$ 4,681,926

NOTE D - INVESTMENTS

The District had no investments at June 30, 2014.

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance			Balance	
Governmental Activities	June, 30 2013	Additions	Deductions	June 30, 2014	
Land	\$ 665,532	\$ -	\$ -	\$ 665,532	
Land improvement	1,235,657	-	-	1,235,657	
Buildings and improvements	28,428,974	3,238,939	-	31,667,913	
Technology equipment	2,526,869	-	85,206	2,441,663	
General equipment	476,282	38,943	-	515,225	
Vehicles and machinery	1,136,324	22,903	62,170	1,097,057	
Construction in progress	3,075,997		3,075,997		
Totals at historical cost	37,545,635	3,300,785	3,223,373	37,623,047	
Less: accumulated depreciation					
Land improvements	1,060,670	25,100	_	1,085,770	
Buildings and improvements	11,239,305	549,032	_	11,788,337	
Technology equipment	2,105,715	171,187	85,206	2,191,696	
General equipment	334,877	25,770	-	360,647	
Vehicles and Machinery	769,575	65,109	52,055	782,629	
Total accumulated depreciation	15,510,142	836,198	137,261	16,209,079	
Governmental Activities					
Capital Assets – Net	\$ 22,035,493	\$ 2,464,587	\$ 3,086,112	\$ 21,413,968	
	Balance			Balance	
Business-Type Activities	June 30, 2013	Additions	Deductions	June 30,2014	
Food service equipment	\$ 1,045,613	\$ 48,841	\$ -	\$ 1,094,454	
Construction in progress	48,841	-	48,841	-	
Totals at historical cost	1,094,454	48,841	48,841	1,094,454	
Less: accumulated depreciation	658,792	71,898		730,690	
Business-Type Activities					
Capital Assets – Net	\$ 435,662	\$ (23,057)	\$ 48,841	\$ 363,764	

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 604,657
Student Support Services	32,897
Instructional Staff Support Services	10,110
Direct Administration Support	52,476
School Administration Support Services	23,340
Community Services	6,165
Business Support Services	-
Plant Operations & Maintenance	56,097
Student Transportation	50,456
Total Depreciation	\$ 836,198

NOTE F - BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements lease obligations represents the District's future obligation to make lease payments relating to the bonds issued by the Fiscal Court of Kenton County, Kentucky and the Erlanger-Elsmere Independent School District Financial Corporation aggregating \$ 20,621,721.

The following summarizes the original amount of each issue, the issue date and interest rates:

Issue Date	Original Amount	Rates
2007	\$ 4,775,000	4.00%
2008	3,950,000	2.20% - 4.38%
2009 Refunded	1,465,000	1.00% - 3.40%
2009 KISTA Refunded	278,890	1.00% - 3.25%
2012 Refunded	259,000	1.50% - 2.45%
2012	3,230,000	0.90% - 2.70%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1992, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue.

Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principle and interest) are as follows:

	District Portion		KSCC Portion		
	Erlange	r-Elsmere	KS	CC	
Year	Principle	Interest	Principle	Interest	Total
2014-2015	\$ 538,711	\$ 331,237	\$ 564,886	\$ 189,592	\$ 1,624,426
2015-2016	559,100	314,840	560,050	177,306	1,611,296
2016-2017	578,274	296,089	571,414	164,681	1,610,458
2017-2018	596,896	276,116	588,303	151,510	1,612,825
2018-2019	618,231	252,913	577,496	136,809	1,585,449
2019-2020	637,924	232,500	427,076	121,618	1,419,118
2020-2021	655,780	211,260	434,220	111,475	1,412,735
2021-2022	682,554	188,216	447,446	100,199	1,418,415
2022-2023	703,771	163,815	461,229	88,264	1,417,079
2023-2024	729,424	138,153	470,576	75,640	1,413,793
2024-2025	660,476	109,537	314,524	62,261	1,146,798
2025-2026	689,331	82,278	325,669	52,427	1,149,705
2026-2027	717,898	53,687	337,101	42,029	1,150,715
2027-2028	345,330	23,208	239,670	30,901	639,109
2028-2029	357,811	7,827	232,189	23,552	621,379
2029-2030	-	-	185,000	17,483	202,483
2030-2031	-	-	190,000	12,420	202,420
2031-2032	-	-	195,000	7,223	202,223
2032-2033			170,000	2,295	172,295
Total	\$ 9,071,511	\$ 2,681,676	\$ 7,291,849	\$ 1,567,685	\$ 20,612,721

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2014:

	Beginning				Ending
	Balance	Α	dditions	Deductions	Balance
Bonds	\$ 16,363,361	\$	-	\$ 1,103,597	\$ 15,259,764
Capital Leases	259,806		-	37,051	222,755
Sick Leave	211,599		109,886	-	321,485
Total	\$ 16,834,766	\$	109,886	\$ 1,140,648	\$ 15,804,004

NOTE G – CAPITAL LEASE PAYABLE

The following is analysis of the leased property under capital lease by class:

	Book	Book value as of		
Classes of Property	Jun	e 30, 2014		
Buses	\$	255,873		

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ending	:	2010	2011	2013	
June 30,	Bus	s Lease	Bus Lease	Bus Lease	Total
2015	\$	7,764	\$ 23,141	\$ 13,327	\$ 44,232
2016		7,752	23,046	11,414	42,212
2017		7,745	26,068	11,401	45,214
2018		6,484	23,029	11,384	40,897
2019		6,478	23,005	11,437	40,920
2020		-	19,148	11,411	30,559
2021		-	19,088	11,455	30,543
2022		-	-	9,518	9,518
2023		-		9,518	9,518
Total minimum lease payments		36,223	156,525	100,865	293,613
Less: Amount representing interest		(3,500)	(14,109)	(9,017)	(26,626)
Present Value of Net Minimum					
Lease Payment	\$	32,723	\$142,416	\$ 91,848	\$266,987

NOTE H - COMMENTS UNDER NONCAPITALIZED LEASES

The District had no commitments under operating lease agreements as of June 30, 2014

NOTE I – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). Funding for the Plan is provided through payroll withholdings of 11.355% for employees and matching state contribution required is 14.6502% of salaries respectively, based on date hired. The matching contributions are paid by the Federal programs for any salaries paid by the program.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employer's retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 18.89% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was approximately \$13,500,000 for the fiscal year ended June 30, 2014. The payroll for employees covered under KTRS was approximately \$10,475,000 and for CERS was \$2,870,000 for the fiscal year.

The contribution requirement for CERS for the year ended June 30, 2014 was \$691,744 which consisted of \$541,951 from the Board and \$149,793 from the employees. The Board paid \$134,894 from federal grant monies to KTRS in matching contributions for federally funded employees and the Commonwealth contributed \$1,276,438 to KTRS for the benefit of our participating employees. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from the latest actuarial valuations performed as of the dates indicated:

	(Dollar amount in thousands)			
		KTRS	(1)	lon-Hazardous) CERS
		June 30, 2013		June 30, 2013
Assets Available for Benefits, at Fair Value	\$	14,962,758	\$	5,637,094
Pension Benefit Obligation		28,817,232		9,378,876
Underfunded/Overfunded Pension Benefit				
Obligations	\$	(13,854,474)	\$	(3,741,782)

Historical trend information shows KTRS's and CER's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2014 comprehensive annual financial reports.

As the District is only one of several employees participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

Both plans were created by the Kentucky General Assembly and they issued publicly available financial reports.

The District also offers employees the option to participate in a defined contribution plan under section 403(B), 401(K) and 4457 of the Internal Revenue Code. All regular full-time and certain part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE J - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being sent as intended and grantors' intent to continue their programs.

Notes to the Financial Statements

June 30, 2014

NOTE K – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

NOTE L - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers' Compensation Insurance.

NOTE M - ACCUMULATED UNPAID SICK LEAVE

Upon retirement from the school system, an employee who meets requirements will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014, this amount totaled \$321,485 for those employees eligible to retire, which is the amount reserved in the current year fund balance of the General Fund. Presently, the District has been notified of no retirements for fiscal year 2014, therefore accumulated unpaid sick leave benefits is zero for current liabilities for June 30, 2014.

NOTE N – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. The District pays annual premiums for various insurance coverages. To obtain insurance of workers' compensations, errors and omissions, and general liability coverage, for fiscal year 2014 the District bid for these services. The bids produced a savings to the District for workmen's compensation coverage and the auto, property and liability insurances.

The District purchases unemployment insurance through KSBA Insurance; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE O - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE P - DEFICIT FUND AND OPERATING BALANCES

No fund of the District has a deficit fund balance. The following funds have operations that resulted in a current year deficit of revenues under expenditures resulting in a corresponding reduction of fund balance:

Construction Fund \$ (162,942) Debt Service (4,547)

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Financial Statements June 30, 2014

NOTE Q-TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Debt Service	Debt Service	\$ 16,851
Matching	General	Special Revenue	Technology Match	31,581
Operating	Building	Debt Service	Debt Service	655,584
Operating	Capital Outlay	Debt Service	Debt Service	204,094
Operating	Debt Service	General	Transfer	4,574
				\$ 912,684

NOTE R – ON-BEHALF PAYMENTS

The financial statements included payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational retirement benefits, and debt service.

Purpose	Amount
Instruction	\$ 2,753,669
Support Services	
Student	66,344
Instructional Staff	75,188
District Administration	130,474
School Administration	179,125
Business	47,287
Plant Operation & Maintenance	134,897
Student Transportation	37,594
Food Service	75,188
Debt Service	755,736
Total	\$ 4,255,502

NOTE S - SUBSEQUENT EVENTS

Management has evaluated events through October 15, 2014, the date on which the financial statements were available for issue. The District did not have any events subsequent to June 30, 2014 through October 15, 2014 to disclose.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - GENERAL FUND For the Year Ended June 30, 2014

				Variance with Final Budget -	
	Budgeted	l Amounts	Actual	Positive	
Revenues	Original	Final	Amounts	(Negative)	
From local sources					
Taxes: Property	\$ 6,293,369	\$ 6,293,369	\$ 6,427,957	\$ 134,588	
Motor vehicle	474,257	474,257	552,716	78,459	
Utilities	800,000	800,000	889,284	89,284	
Other	30,000	30,000	27,948	(2,052)	
Earnings on investments	19,000	19,000	16,318	(2,682)	
Other local revenues	207,300	220,678	242,965	22,287	
Intergovernmental - state	6,864,520	7,158,730	7,408,088	249,358	
Intergovernmental - state on behalf	-	-	3,424,578	3,424,578	
Intergovernmental - direct federal	25,000	25,000	90,839	65,839	
Total Revenues	14,713,446	15,021,034	19,080,693	4,059,659	
Expenditures					
Instruction	10,225,056	10,335,179	11,944,076	(1,608,897)	
Support Services:					
Student	890,047	890,047	872,287	17,760	
Instruction staff	531,224	531,224	592,199	(60,975)	
District administrative	1,883,914	1,924,258	1,603,387	320,871	
School administrative	1,143,200	1,145,033	1,322,328	(177,295)	
Business	258,261	258,261	303,693	(45,432)	
Plant operation/maintenance	2,482,689	2,630,901	1,729,495	901,406	
Student transportation	324,727	324,727	250,251	74,476	
Community service activities	23,560	23,560	26,188	(2,628)	
Other - Debt Service	55,309	55,309	44,137	11,172	
Contingency	455,000	455,000		455,000	
Total Expenditures	18,272,987	18,573,499	18,688,041	(114,542)	
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(3,559,541)	(3,552,465)	392,652	3,945,117	
Other Financing Sources (Uses)					
Proceeds from sale of fixed assets	999	999	250	(749)	
Operating transfers in	-	-	4,574	4,574	
Operating transfers out	(31,925)	(31,581)	(48,432)	(16,851)	
Total Other Financing Sources (Uses)	(30,926)	(30,582)	(43,608)	(13,026)	
Net Change in Fund Balances	(3,590,467)	(3,583,047)	349,044	3,932,091	
Fund Balances - Beginning	3,590,467	3,590,467	3,590,467		
Fund Balances - Ending	\$ -	\$ 7,420	\$ 3,939,511	\$ 3,932,091	

The accompanying notes are an integral part of these financial statements.



Charles A. Van Gorder, CPA John P. Walker, CPA, MBA Lori A. Owen, CPA John R. Chamberlin, CPA, MBA Members of AICPA & KyCPA Licensed in Kentucky & Ohio

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Education Erlanger-Elsmere Independent School District Erlanger, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of office of Management and Budget Circular A-133, Audits of States and Local Governments, and the requirements prescribed by Appendices I and II to the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Erlanger-Elsmere Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise and the Erlanger-Elsmere Independent School District's basic financial statements, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Erlanger-Elsmere Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Erlanger-Elsmere Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Erlanger-Elsmere Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Management is responsible for establishing and maintaining effective internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Erlanger-Elsmere Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of the Erlanger-Elsmere Independent School District in separate letter dated October 15, 2014.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky October 15, 2014



Charles A. Van Gorder, CPA John P. Walker, CPA, MBA Lori A. Owen, CPA John R. Chamberlin, CPA, MBA Members of AICPA & KyCPA Licensed in Kentucky & Ohio

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board of Education Erlanger-Elsmere Independent School District Erlanger, Kentucky

Report on Compliance for Each Major Program

We have audited the Erlanger-Elsmere Independent School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Erlanger-Elsmere Independent School District's major federal programs for the year ended June 30, 2014. Erlanger-Elsmere Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The Erlanger-Elsmere Independent School District's management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Erlanger-Elsmere Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations; and Appendices I and II to the Independent Auditor's Contract.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Erlanger-Elsmere Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Erlanger-Elsmere Independent School District's compliance.



Opinion on Each Major Federal Program

In our opinion, the Erlanger-Elsmere Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Internal Control Over Compliance

The management of Erlanger-Elsmere Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Erlanger-Elsmere Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Erlanger-Elsmere Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Zer Walken - Co .. dru.

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky October 15, 2014

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

U.S. Department of Education	CFDA Number	Pass Through Number	Expenditures	Totals				
		Number	Expenditures	Totals				
Passed through the Kentucky Department of Education Title I Grants to Local Educational Agencies								
Fiscal Year 2012-2013	84.010	310.12	\$ 31,183					
Fiscal Year 2013-2014	84.010	310.13	588,594					
Total Title I Cluster			<u> </u>	\$ 619,777				
Grants to State (IDEA-Part B)								
Fiscal Year 2013-2014	84.027	381.13	363,625					
Preschool Grants (IDEA-Preschool)	04.027	301.10	000,020					
Fiscal Year 2013-2014	84.173	380.13	16,509					
Total Special Education Cluster				380,134				
·	04 267	323.12	5 142	,				
Improving Teacher Quality-State Grants 2012	84.367	323.12	5,142					
Improving Teacher Quality-State Grants 2013	84.367	323.13	80,615	05.757				
Curriculum Development-Bi-Lingual (Title 3) 2013	84.365	330.12	550	85,757				
Curriculum Development-Bi-Lingual (Title 3) 2013 Curriculum Development-Bi-Lingual (Title 3) 2014	84.365	330.12	15,316					
Curriculum Development-bi-Lingual (Title 3) 2014	04.303	330.13	13,310	15,866				
Race to Top - 2013	84.413A	N/A	9,782	13,000				
1400 10 100 2010	0 11 1 10/1	14//	0,7.02	9,782				
Passed through the Northern Kentucky Cooper	ative for E	ducational Servi	ces:	-,				
Secondary Counseling Program - 2013	84.215E	N/A	16,749					
Secondary Counseling Program - 2014	84.215E	N/A	100,638					
				117,387				
Elementary Counseling Program - 2013	84.215F	N/A	40,564					
Elementary Counseling Program - 2014	84.215F	N/A	319,507					
				360,071				
Total Department of Education				1,588,774				
U.S. DEPARTMENT OF AGRICULTURE								
Passed through the Kentucky Department of Ed								
National School Lunch Program (NSLP) 2014	10.555	7750002	581,880					
School Breakfast Program (SBP) 2014	10.553	7760005	175,718					
National School Lunch Program (NSLP) 2013	10.555	7750002	134,346					
School Breakfast Program (SBP) 2013	10.553	7760005	32,147					
School Program - Snacks	10.589	7690024	4,005					
Commodities (NSLP)	10.555	N/A	77,114					
School Program - Summer Meals	10.559	7740023	38,475	1 042 005				
Total Child Nutrition Cluster 2013-2014				1,043,685				
Total U.S. Department of Agriculture				1,043,685				
U.S. Department of Health and Human Services	,							
Direct Payments to Local School District	20.5-1							
Drug Free Communities Grant 2014	93.276	N/A	55,583	55,583				
Social Security Admin. Medical Assistance Program		N/A	90,838	90,838				
Total U.S. Department of Health and Humar	Services			146,421				
	\$ 2,778,880							

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT Notes to the Schedule of Expenditures of Federal Awards June 30, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying of schedule of expenditures of federal awards includes the federal grant activity of the Erlanger/Elsmere School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities used in the amount of \$ 77,114. These commodities were used to supplement the National School Lunch Program.

ERLANGER-ELSMERE INDEPENDENT SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

No matters were reported

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements		
Type of auditor's report issued:	<u>Unmodified</u>	
 Internal control over financial reporting: Material weakness(es) identified? Significant deficiencies identified? 	Yes Yes	XNo XNone reported
Noncompliance material to financial statements noted	Yes	XNo
Federal Awards		
Internal Control Over Major Programs:Material weakness(es) identified?Significant deficiencies identified?	Yes Yes	XNo XNone reported
Type of auditor's report issued on compliance fo major programs:	r <u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(of OMB Circular A-133:	a) Yes	XNo
Identification of major programs: Federal Program or Cluster		CFDA Numbers
Special Education Cluster Secondary Counseling Program Elementary Counseling Program		84.027, 84.173 84.215E 84.215F
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000	
Auditee qualified as low-risk auditee?	X_Yes	No
II. FINDINGS - FINANCIAL STATEMENTS AUI	<u>DIT</u>	
No matters were reported		
III. FINDINGS AND QUESTIONED COSTS - MA	AJOR FEDERA	L AWARD PROGRAMS AUDIT

Schedule of Prior Year Audit Findings Year Ended June 30, 2014

NONE

Combining Balance Sheet - Non-Major Governmental Funds June 30, 2014

Assets and Resources	FSPK Fund		SEEK Capital Outlay Fund		Se	ebt rvice und	Total Nonmajor Governmental Funds		
Cash and cash equivalents	\$	84,256	\$	-	\$	_	\$	84,256	
Total Assets and Resources	\$	84,256	\$	-	\$	-	\$	84,256	
Liabilities and Fund Balances: Liabilities Accounts payable Total Liabilities	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	
Fund Balances									
Assigned for									
Debt service		84,256		-	-	-		84,256	
Total Fund Balance Total Liabilities and Fund Balance	•	84,256 84,256	\$	<u>-</u>	<u> </u>		<u> </u>	84,256 84,256	
Total Liabilities and Fund Balance	<u> </u>	04,256	Φ		Φ		<u> </u>	04,250	

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds

For the Year Ended June 30, 2014

		_			Dalat		Total
	EGDK		-	_			lon-Major vernmental
			-			GU	Funds
Ф.			unu		-unu	Φ.	
Ф	-	•	-		-	Ф	473,976
							1,225,694
	739,840		204,094		755,736		1,699,670
	-		-		-		-
			-	1,6	532,265		1,632,265
			-	1,6	532,265		1,632,265
35	739,840	2	204,094	3)	376,529)		67,405
						,	_
	-		-	8	376,529		876,529
	(655,584)	(2	204,094)		(4,574)		(864,252)
	(655,584)	(2	204,094)	8	371,955		12,277
	<u>, , , , , , , , , , , , , , , , , , , </u>		<u> </u>				
e							
3	84,256		-		(4,574)		79,682
			-		4,574		4,574
-							_
\$	84,256	\$		\$		\$	84,256
	\$ 	(655,584) (655,584) (655,584)	FSPK OF Fund Fund Fund Fund Fund Fund Fund Fun	Fund	Capital Outlay Fund Fund Substitute Fund Substitute Fund Substitute Fund Substitute Fund Substitute Fund Substitute Subst	FSPK Fund Capital Outlay Fund Debt Service Fund \$ 473,976 265,864 204,094 739,840 204,094 755,736 1,632,265 1,632,265 1,632,265 1,632,265 1,632,265 1,632,265 1,632,265 1,632,265 876,529 (655,584) (204,094) (655,584) (204,094) (4,574) (4,574)	FSPK Fund Pund Fund Fund Fund Fund Fund Fund Fund F

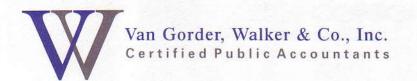
Statement of Receipts and Disbursements - School Activity Funds
For the Year Ended June 30, 2014

Lloyd Memorial High School	Cash Balance June 30, 2013	Receipts	Disbursements	Cash Balance June 30, 2014		
Senior Class	\$ -	\$ 1,879	\$ 1,879	\$ -		
Drama	1,107	1,604	1,460	1,252		
Junior Class	3,784	12,314	7,810	8,288		
Sophomore Class	3,535	110	3,192	453		
Art Fees	1,999	730	1,860	869		
Athletic Department	20,849	46,339	57,475	9,712		
Art Club	77	-	-	77		
Book Fees	6,487	10,153	9,921	6,719		
Tennis	281	799	1,008	72		
Special Olympics	570	330	702	198		
Academic Team	144	-	-	144		
Tatler	923	238	505	656		
Ensor Scholarship	28,788	-	600	28,188		
Library	670	280	407	543		
General Fund	9,081	19,884	23,835	5,130		
Miscellaneous	23,169	1,843	8,423	16,589		
National Honor Society	1,050	100	-	1,150		
Baseball	1,026	9,100	8,016	2,110		
Cross Country	264	1,183	763	684		
Java/Jugg/Café	1,164	-	169	995		
Spanish Club	700	65	65	700		
Veterans Wall Memorial	499	-	-	499		
Student Council	3,983	3,462	2,723	4,722		
Science Fees	1,297	1,980	1,812	1,465		
Advanced Placement	516	2,913	3,051	378		
Bowling Club	1,330	1,792	1,901	1,221		
Yearbook	2,756	2,635	1,479	3,912		
Debbie McKinley-Memorial	2,377	-	100	2,277		
Varsity Cheerleaders	-	3,125	2,758	367		
Office	213	6,395	3,526	3,082		
Literature Fee	262	949	570	641		
Smith Scholarship	-	13,065	886	12,179		
Gold Rush	-	569	463	106		
Comcessions/Ad		14,561	14,561			
Sub Total	\$ 118,901	\$ 158,397	\$ 161,920	\$ 115,378		

Continued on next page

Statement of Receipts and Disbursements - School Activity Funds - Continued For the Year Ended June 30, 2014

	Cash Balance June 30, 2013 F			Receipts Disbursements				Cash Balance June 30, 2014		
Sub-Total Carried Forward	\$	118,901	\$	158,397	\$	161,920	\$	115,378		
JSA	Φ	1,114	Φ	130,391	Φ	101,920	Φ	1,114		
Boys Basketball		2,069		26,883		23,248		5,704		
Football		1,148		23,304		15,953		8,499		
Girls Basketball		4,004		9,873		10,457		3,420		
Track		2,631		3,941		4,603		1,969		
Soccer		2,001		2,448		1,779		669		
Softball		2,111		6,512		8,623		-		
Volley Ball		664		-		643		21		
Transportation		-		9,500		8,315		1,185		
Freshman Class		957		822		1,680		99		
Playhouse		-		2,212		2,212		-		
Community Based Instruction		306		_,_ · _ -		100		206		
Field Trips		1,672		4,594		4,471		1,795		
Pepsi		5,532		-		, <u>-</u>		5,532		
Gaming Account		1,542		9,226		8,073		2,695		
Parking Pass		657		-		-		657		
SubTotal		143,308		257,712		252,077		148,943		
Less interfund transfer		-		(29,292)		(29,292)		-		
Total High School		143,308		228,420		222,785		148,943		
Middle School										
Tichenor		71,467		97,276		78,914		89,829		
Total Middle School		71,467		97,276		78,914		89,829		
Elementary Schools										
Dorothy Howell		6,049		19,109		13,375		11,783		
Arnett		12,881		33,404		29,169		17,116		
John W. Miles		5,063		35,968		31,165		9,866		
A.J. Lindeman		18,924		32,177		32,906		18,195		
Total Elementary Schools		42,917		120,658		106,615		56,960		
Total All Schools	\$	257,692	\$	446,354	\$	408,314	\$	295,732		



Charles A. Van Gorder, CPA John P. Walker, CPA, MBA Lori A. Owen, CPA John R. Chamberlin, CPA, MBA Members of AICPA & KyCPA Licensed in Kentucky & Ohio

Members of the Board of Education Erlanger-Elsmere Independent School District Erlanger, Kentucky

We have audited the financial statements of the Erlanger-Elsmere Independent School District for the year ended June 30, 2014, and have issued our report thereon dated October 15, 2014. As part of our audit, we made a study and evaluation of the District's systems of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and valuation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Erlanger-Elsmere Independent School District is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods are subject to risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion of the system of internal accounting control of the Erlanger-Elsmere Independent School District taken as a whole. Our study and evaluation disclosed no condition that I believe to be a material weakness.

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky October 15, 2014

Management Letter Comments

June 30, 2014

Current Year Comments:

Payroll Risk

14-01 – Due to staffing considerations, the District has one person who can perform the District's payroll function. This causes concern in two primary areas. First, anytime an employee has singular control over an accounting function, the District runs the risk of fraud within that function. While we believe the District's general payroll controls are sound, there may exist unforeseen opportunities for fraud that we did not examine. Second, if that employee is incapacitated, the District may have difficulty in meeting payroll responsibilities on a timely basis. We encourage the District to consider cross-training, and/or job sharing in this accounting function.

Management Response: Both the Finance Director and the Accounts Payable Clerk can run the payroll if the need arises. We have also hired another person in the Central Office and hope to have that person cross-trained in this position.

Segregation of Duties:

14-01, 13-04, 12-04 Due to the size of the District, proper segregation of duties is not always possible. Minor risks of intentional financial statement misstatement due to improperly segregated record keeping and reconciliation functions do exist. However, the District's board, through thorough review of the District's monthly financial statements, provides a compensating control over financial reporting. We encourage to District's board to continue to perform their fiduciary responsibility through the following procedures:

- 1) Closely review the District Treasurer's monthly report.
- 2) Closely review and approve all disbursements.
- 3) Continue to monitor all significant variations between the approved budget and the actual cash receipts and disbursements.

While these procedures will not entirely eliminate the potential risk of misstatement, their implementation will reduce the risk to a tolerable level in the current circumstances.

Auditor Comment: Due to the size of the District and financial constraints, this comment has been repeated to remind the board of the importance of their fiduciary responsibility to closely monitor the District disbursements and the monthly Treasurer's report.

Prior Year Comments:

District Travel

13-01 – There were NO discrepancies noted. However, during routine inquiry, we noted that although appropriate approval for travel is provided by the District employee's immediate supervisor (or Board in the case of the Superintendent), the supervisor or Board does not sign-off on the travel expenses after travel has been completed. We recommend a policy that the employee's supervisor or Board review and sign-off on the amounts actually expended for the previously approved travel.

Management Letter Comments

June 30, 2014

Corrective Action: The District implemented a procedure that the supervisor or Board reviews and signs off on the amounts actually expended for travel related expenses. A check-off sheet is sent to all employees who are approved for travel or a conference to enforce proper procedures.

Superintendent Credit Card

13-02 – There were NO discrepancies noted and credit card purchases were very minimal. However, during routine inquiry, we noted that the District Board does not review the details of the Superintendent's credit card before payment. We strongly recommend a policy that a Board member or committee of the Board be assigned to review, at a minimum, the credit card statements (as well as the related support documentation, receipts, and documented business purpose) of the Superintendent and any Executive Staff.

Corrective Action: The Board, Board Chairman or a Committee chosen by the Board reviews all credit card statements and the supporting documentation.

Principal Signoff on Activity Fund Bank Statements

13-03 – There were NO discrepancies noted. However, during routine inquiry, we noted that the Principal of each school reviews and signs-off on the school activity fund bank statements. However, we were not convinced the Principal's completely understood what they should be looking for on the statements. We recommend that the District utilize a "sign-off sheet" that lists the items the Principal should look for/review. These may include, but are not limited to the following: no ATM withdrawals, no counter checks written, each check is signed by two parties and the signators are both authorized signators on the account, and there are no unauthorized ACH transactions on the account.

Corrective Action: The District has a sign-off sheet for the review of the Bank Statements at the school level. This allows the Principals to have a greater understanding of their requirements in signing the Bank Statement.